

### **REMARKS**

This Amendment is made in response to the Office Action dated September 05, 2007. A Request for an Extension of Time is submitted herewith to permit the filing of this Amendment in the third month.

The undersigned directs the Examiner's attention to pages 55 to 61 of the Amendment of May 25, 2007, which the undersigned believes to fully respond to the rejections based upon Lee.

#### **1. Description of Applicants' Points Managing System**

Applicants invention relates as shown in Figures 8-12 of the subject application to a method of managing a points withdrawing loyalty program which comprises a plurality of withdrawing points, and a points depositing loyalty program which comprises a plurality of deposit points. The points withdrawing loyalty program independently sets a number of these withdrawing points, while the points withdrawing loyalty program sets a points withdrawing rate. Next, a user or a loyalty program sets a first number of the withdrawing points, before the number of withdrawing points is multiplied times the points withdrawing rate to provide a value of the number of the withdrawing points in terms of their common currency. Next, the depositing loyalty program or user independently sets a points deposit rate, which defines the value of the one point of the deposit rate in terms of its common currency. Finally, the number of withdrawing points is multiplied times the points deposit rate for the depositing loyalty program to output the number of the points to be deposited in the point deposit loyalty program.

#### **2. Postrel Fails to Disclose Applicants' System**

Applicants respectfully traverse and request reconsideration of the rejection of claims 1-4, 13-14 and 21-28 as being anticipated under 35 U.S.C. 102(e) by U.S. Patent No. 6,594,640 of

Postrel. The undersigned directs the Examiner's attention to pages 17-55 of Applicants' Amendment of May 25, 2007, which fully defeats the rejection based upon Postrel.

Applicants respectfully assert that Postrel fails to disclose significant parts of Applicants' invention. First, Postrel fails to disclose at least two loyalty programs, much less for exchanging loyalty points between these two programs. Further, Postrel does not disclose withdrawing and deposit rates, which define the value of the points associated with each of the loyalty programs. In particular, each rate defines the amount of a common currency of that rate. In an illustrative example, the common currency takes the form of Canadian dollars or US dollars. In such an illustrative embodiment, the value of the rate is expressed as %0.010 for one cent per point or \$0.020 for two cents per point of the common currency for the one point. See Figure 9. The advantage of such rates enables a program operator to set the withdrawing rate and the deposit rates, whereby the price of the first and second points can be controlled by the corresponding operator of the corresponding loyalty programs. In addition as defined in claim 32, the value of the rates may be set so that both of the loyalty programs are guaranteed a profit. Further, the claims 34 and 35 define the withdrawing liability rates and the depositing liability, whereby the liability as occurs in their respective loyalty points programs are removed or added dependent whether the number of points are being withdrawn (removed) or deposited (added).

### **3. Examiner's Response to Arguments Regarding Postrel**

In the outstanding Office Action of September 05, 2008, the Examiner (beginning at page 24) provides his analysis as to why the claims of Applicants were not patentably distinct from Postrel and Lee. In summary, the Examiner asserts, "that in Postrel, points are exchanged from one reward entity to another at a conversion rate, where points are withdrawn from a first reward entity and are transferred or deposited into another reward entity (i.e. partner or associated air

Carrier) using an exchanged rate.” See page 5 lines 5-8. The Examiner’s statement errs in at least two respects. First, Postrel does not comprise first and second point issuers. Second more particularly, Postrel does not teach the conversion rates that transfer points between the first and second points issuers or loyalty programs, much less the details of these rates.

Postrel discloses only the following three rates: 1) the “exchange rate” (col. 3, lines 33-39); 2) “limited conversion rate” (col. 8, lines 17-26),” and 3) “conversion rate,” (col. 9, lines 5-14). Applicants respectfully assert that Postrel fails to show that none of these rates as set out in Postrel are related to Applicants’ interchange of Applicants’ points issuers. In the above quote, the Examiner asserts that a “conversion rate” is used. In Postrel, the “conversion rate” is defined as follows:

The processor of the reward server may perform actions that may allow or refuse the requested action. In another embodiment, the trading server processor may be granted direct authorization to modify the user’s records in the reward server database without analysis by the processor of the reward server. A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user’s account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system.

A comparison of Postrel’s description of the “conversion rate” and the Applicants’ system differs significantly. As described above, the first points issuer set independently the value of a points withdrawal rate in terms of the value in terms of the common currency. The points withdrawal rate is used as shown in Figure 9 and 10 to determine the value of a number of first point and then multiply that value of the number of withdrawal points times the points withdrawal rate to determine the value of common currency is available to purchase a number of the deposit points. The undersigned respectfully asserts that the points withdrawal rate is significantly different from the conversion rate as defined above. Applicants’ withdrawal points are patently different from Postrel’s conversion rates.

The Examiner also uses the term, “exchange rate,” in the above quote. In Postrel, “exchange rate,” is defined as the following:

An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value.

A comparison of Postrel’s description of the term, “exchange rate,” and the Applicants’ “deposit points rate” is also patentably distinct from Postrel’s “exchange rate” as defined above.

The undersigned respectfully questions the relevance of the follow Examiner’s statement: “Postrel allows point issuers who originally sold reward point in their program for use an incentive by third parties to repurchase points at a substantial discount, thereby reducing their liability and allowing for a trading strategy that enables point to continually be sold and repurchased. Therefore, when in Postrel a user makes a redemption request to a reward server for available points or value, said reward server repurchased said points at a discount or withdrawal rate, where the value obtained from said repurchased is used to buy points from another point issuers at a conversion rate (i.e. deposit).”

The Examiner further asserts that a third party repurchases reward points thereby enabling a reward server 10, 12 or 14 which in turn is used to buy points from another point issuer at a conversion rate. First, the undersigned asserts that the redemption of previously repurchased points of Postrel does not infer that the repurchased points are input at a rate, much less than that at a conversion rate or at a deposit rate. The deposit rate as described in the above quote does not disclosed how the repurchased point would be introduced into a reward server 10, 12 or 14. Further, Postrel does not disclose Applicants’ withdrawal rate and, in particular, the step of converting first points into the second points by use of the points depositing rate.

Finally, Applicants respectfully traverses the Examiners following statement as set out in the Office Action dated September 5, 2007 at page 24, lines 16-20, “Postrel teaches a withdrawal and a deposit rate as Postrel withdraws point from a first point issuer at a withdrawal rate (i.e. point issuer buys the points at discounted rate) and uses conversion rate to transform said point from said first pint issuer to points that would be accepted (i.e, deposited) by another points issuer at a deposit rate.” Applicants have shown above the steps of their withdrawal rate and have demonstrated that their withdrawal rate is significantly from the rates of Postrel. Further, Postrel does not disclose Applicants’ points deposit rate, much less this rates functionality of converting the common currency into the corresponding number of second points. Further, this passage further mentions conversion rates a number of times and indicates that the Examiner believes that the conversion rate and the deposit rate are substantially similar. Applicants’ respectfully asserts that Postrel does not disclose either Applicants’ points deposit rates or their withdrawal rates; as shown above, Postrel does not disclose Applicant’s conversion rate.

The Examiner asserts in the September 5, 2007 Office Action at page 25, lines 3-8, “that Postrel teaches allowing issuers of reward points to take point off the book and eliminate them, if desired at a discount rate, an exchange rate will be established for the relative consideration received by the companies involved in the transaction and the reward server may refuse a redemption request. Therefore, in Postrel the points issuers indicate the consideration of the exchange rate that would accepted to perform a conversion from one point value to another.” The above passage does not involve the transfer of points from a first point issuer to a second point issuer. Rather, this passage deals with a system as shown in Fig. 4 of Postrel, where users submit award points or credits into various types of transactions resulting from the various reward servers 10, 12 and 14 for redemption of the points into a common pool from a trading

server 20, whereby an exchange rate will be established. Even though Postrel provides an exchange rate to implement the pooling of points, that polling is carried out only in Postrel's trading server 20 and not in his reward servers 10, 24 and 14. Though Postrel mentions, as indicated above, the exchange rate and that this rate is involved with one of the reward servers 10, 12 and 14, Postrel fails to disclose that Postrel's exchange rate is associated with another reward server, much less as to the details of such a relationship.

The Applicants continue in the September 05, 2007 Office Action at page 25, lines 11-16, to assert that the Examiner asserts that, "Postrel teaches two exchange rate (sic), the rate when points are withdrawn from a points issuer and the rate when said withdrawn points are used (i.e. deposited) into another point issuer (i.e. associate airline) in order to buy products from said associated airlines with said points (see col 11, lines 60-67) and where said withdrawal and deposit is done at a conversion rate. Therefore, contrary to Applicant's argument, Postrel teaches two different rates." In this instance, the Examiner is not relying not on the teachings of Postrel to teach the use of his points withdrawal rate and his points deposit rate, but rather is using the Applicants' own teaching. The undersigned respectfully asserts that reliance on the Applicants' own teaching in Sections 102 and 102 of this application is clearly improper.

#### **4. Examiner's Response to Arguments Regarding Lee are Rebutted!**

The undersigned has found that the rejection based upon Lee as set out in the Office Action of December 01, 2006 is literally identical to that found in the Office Action of September 05, 2007. The undersigned directs the Examiner's attention to pages 55 to 61 of the Amendment of May 25, 2007, which the undersigned believes to fully respond to the rejection based upon Lee.

Applicants respectfully traverse and request reconsideration of the rejection of claims 1-4, 13, 14, and 21-28 as being anticipated under 35 USC Section 102 over US Patent Publication No. 2001/0054006 of Lee.

In the outstanding Office Action dated September 05, 2007, the Examiner states beginning at page 26, line 20 et seq., that, “ contrary to applicant’s argument, Lee teaches at least two point issuers, withdrawal and deposit rates and that the first points are exchanged from the first point issued to the second point issuer.” Applicants respectfully traverse and request reconsideration of the above quote. First, the undersigned asserts that the customer shops of Lee do not function as point issuers, but rather only the points trading service 24 as shown in Figure 2 issues points that perform this function. By contrast, Applicants disclose first and second point issuers, which are programmed to interchange points between the point issuers 900 and 901, as shown in Figure 9. In particular, each point issuer of applicant independently sets the withdrawing and depositing rates whereby the values of the points issued independently issued from their respective issuers. On the other hand, the exchange rates (cash points) of Lee are fixed for their respective shops for both selling and buying functions by only a single entity, namely their points trading service 24. By contrast, Applicants seek to protect the method of the first points issuer by: 1) setting a first number of its first points to be traded to the second points issuer, 2) multiplying the number of the first points times the points withdrawal rate to provide a value of the number of the first points, 3) multiplying the value of the first number of its points times the deposit rate of the second points to provide the corresponding number of the second points to be traded, and, then 4) exchanging the first number of the first points for the corresponding second number of the second points of the second points issuer.

The Examiner asserts that Applicants continue to argue in the September 5, 2007 Office Action at page 26, lines 3-4, “that Lee does not disclose the step of enabling the customer to enter the number of the first points to be sold,” and at lines 3-20 that the Applicant argues that Lee does not disclose first and second points issuers, the withdrawal rate associated with the first point issuers, or the deposit rate associated with the second point issuers and that Lee does not teach that the first points are exchanged from the first point issuer to the second point issuer. The Examiner answers that Lee figures 4 and 5 teach an example when a customer sell 15,520 points of B Oil company and 500 points of B shopping club in order to buy 12,777 points of A Airline. In said example, the withdrawal rate for B Oil Company is \$.71/point (i.e. \$710,000 points) and the withdrawal rate for B shopping club is \$.45/point (i.e. \$450/1000 points). Therefore, selling 15,520 points of B Oil Company would be converted to \$11,019 (i.e. 15,520 points X \$.71/point) and selling 500 points of B shopping club would be converted to \$225 (i.e. 500 points X \$.45/point) for a total of \$11,244 (i.e. \$225 + \$11,019). Using said \$11,244 to buy A airline points at a deposit rate of 1.13 / \$ (i.e. 1--- points / \$880) would buy a total of 12,777 points (i.e. \$11,244 x 1.13 points/\$). Then adding the amount of previously hold points in the user account related to A Airline, which was 47,000 points (see figure 4) would result in a total of 59,777 points (see figure 5). Therefore, contrary to Applicant’s argument, Lee teaches two point issuers, withdrawal and deposit rates and that the first points are exchanged from the first point issuer to the second point issuer.”

On the other hand, Lee states at paragraphs 042 and 043 that, “For example, the information providing unit 248 of the service providing server 24 sends a web document including the result of processing the received request for trading of points. FIG. 5 illustrates an example of a screen displaying a web document having the processed results of the point sales



request from a customer. Referring to **FIG. 5**, the screen shows: a guide sentence **502** saying “The result of processing your point trading request is as below,” a space for showing a member shop name **504**, a space for showing holding points **506**, and a space for remarks **508**. In the space for showing a member shop name **504**, the names of member shops of which points the customers has are shown, in the space for showing holding points **506**, the holding points of the member shops are shown, and in the space for remarks **508**, the result of current state of processing a points trade request is shown. According to the space for remarks, among the points of A shoes, B airlines, B shopping club, and B oil company which the customer requested to sell, the points of A shoes, A oil company and B Airlines are waiting for a trade, while the points of B oil company and B shopping club have been sold. **Therefore, by getting 225 cash points as a result of selling 500 points of B shopping club, 11,019 cash points as a result of selling 15,520 points of B oil company, the customer gets 11,244 cash points in total. Accordingly, the points of B shopping club and B oil company are marked as 0 points.**

**Also, in the present embodiment, cash points obtained by the sales are used for buying. For example, among the points of A airlines and A oil company the customer requests to buy, the points of A airlines are bought. The buying exchange rate of A airlines is 880 cash points per 1,000 points. When 11,244 cash points obtained through selling holding points are all used to buy 12,777 points of A airlines, the current points of A airlines becomes, as shown in FIG. 5, 59,777 points (the currently held 47,000 points+ additionally bought 12,777 points). Now the customer selects the confirmation button, and then the screen disappears.”**

The Examiner provides a disclosure of his shops for accumulating points by the purchase of products as well as the use of his buy and sell rates. The entirety of the Examiner’s disclosure

is reproduced above in italics. A disclosure of Lee's system and how it operates is reproduced above in bold text. A comparison of the Examiner's and Lee's Disclosures clearly indicates that the Lee Disclosure is rather skimpy as of the nature and operation of Lee's system. The undersigned's review of Lee's Disclosure indicates that Lee did not disclose any of his rates, much less how they function. In particular, Lee mentions that holding points are sold to obtain 11,344 cash points, which in turn are used to buy 12,777 points of A airline. Then the current points of A airline "becomes" 59,777 held points. Though Lee describes the "buying exchange rate of A airlines is 880 cash point per 1,000Point," Lee fails to describe how the A airline exchange rate is use to collect the 59,777 points.

A comparison of the Examiner's and Lee's Disclosures show that Lee has failed to disclose the nature of the buy and sell rates as well as the functionality of these rates to obtain a desired number of points. By contrast, the Examiner's Disclosure is more complete than Lee's Disclosure. It is respectfully asserted that the Examiner errs when he relies upon Applicants' disclosure and not Lee's disclosure to support his rejections.

Applicants' system further distinguishes Lee and Postrel by permitting each of their points issuers to independently set its points withdrawal rates to control the price at which this points issuer can sell the points of its issuer. Similarly, Applicants can independently sets it points deposit rate to control the price at which this point issuer can purchase the points of another points issuer.

Still further, the use of Applicants' withdrawal rate permits a points issuer to determine the number of the points to be sold, to set a liability withdrawal rate, to multiply the liability withdrawing rate times the number of points to be removed from the books of the withdrawing loyalty program and to remove the amount of withdrawing liability in terms of the common

currency from the points issuer. Applicants respectfully assert that Lee's system does not include a plurality of point issuers and, therefore, is unable to remove or add points liability.

If the Examiner is unable to allow this application, he is requested to place a call to the undersigned to suggest those Amendments whereby this application may be passed to issuance.

Respectfully submitted,

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